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**IN THE
Supreme Court of the United States**

OCTOBER TERM, 1979

No. 79-336

**GUARDIAN INDUSTRIES CORPORATION,
Petitioner,
vs.
PPG INDUSTRIES, INC.,
Respondent.**

**PETITIONER'S REPLY BRIEF IN SUPPORT OF
ITS PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT**

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The "Question Presented" by this Petition is whether a federal common law rule that patent licenses are non-assignable, unless expressly agreed to the contrary, should pre-empt state corporate merger statutes providing that all rights of the constituent corporations shall vest in the corporate survivor of the merger unless specifically precluded.

This legal issue is clearly within this Court's certiorari jurisdiction, for the decision of the Court of Appeals below conflicts with (1) prior decisions of this Court on the legitimate role of state law in commercial transactions involving patents (Pet. Br. 11-14) and (2) applicable state statutes as interpreted by the Supreme Court of Pennsylvania, the state whose law the parties selected as controlling (Pet. Br. 9-10).

Respondent asserts that this case presents no question within this Court's certiorari jurisdiction because it allegedly involves only the Court of Appeals' holding that the license agreement in issue "explicitly" precluded vesting of the patent license rights in the survivor of a statutory merger by the original licensee. Such assertion is in error for two reasons. First, the actual language of the agreement, that the license rights are "non-assignable" and "non-transferable", has been held insufficient to prevent vesting by statutory merger or by operation of law by the Pennsylvania Supreme Court (Pet. Br. 9-10).

Secondly, the Court of Appeals below premised its interpretation of the license contract on its statement that "Questions with respect to the assignability of a patent license are controlled by federal law" (Pet. App. 47). This old federal common law rule, of doubtful viability in the light of this Court's recent *Quick Point* and *Burks* decisions (Pet. Br. 11-12), is simply not applicable to a statutory merger because this Court held in the *Seattle Bank* case that rights pass in a merger by operation of law rather than by assignment (Pet. Br. 10).

The Court of Appeals applied the inapt federal common law rule to distinguish the analogous cases on the principal issue and to conclude that patent license rights are *sui generis*, subject to different policy considerations than other property rights. The decision below makes patent license rights an unwritten exception to state merger statutes requiring that all rights and property of the constituent corporations shall vest automatically in the corporate survivor.

After distinguishing the cases holding that "non-assignable" and "non-transferable" restrictions are insufficient

to prevent vesting by statutory merger, the Court of Appeals held:

"We conclude that if the parties had intended an exception in case of a merger to the provisions against assignment and transfer they would have included it in the agreement". (Pet. App. 51).

In the name of implementing the parties' intent, the Court in effect held that their silence as to merger is to be construed as evidencing their intent to nullify the applicability of the state statutes controlling such un contemplated merger. It would seem that the mere statement of such a rule demonstrates the anomaly of the result reached here. Businessmen and lawyers have a right to expect that state merger statutes mean what they say, covering *all* property and rights, including patent license rights, unless the parties expressly agree to the contrary.

Finally, we note that when the Court of Appeals did look for the intent of the parties, it reached a conclusion exactly opposite to that of the District Court, who heard the testimony of the license signatories from both PPG and Permaglass (both hostile to Petitioner Guardian at the time of their testimony) and concluded that the parties did not intend to preclude passage of the license rights by statutory merger. Compare the Court of Appeals' conclusion as to intent (Pet. App. 50-51, 53) with that of the District Court (Pet. App. 25).

Therefore, Petitioner submits that this case is not, as Respondent would have this Court believe, a mundane case of merely divining the intent of the parties to a contract. Rather, as stated in Petitioner's "Question Presented", the case involves a delicate threshold issue of the legitimate role of state statutory law controlling a commercial transaction involving patent license rights.

Petitioner respectfully submits that the writ of certiorari should be granted.

Respectfully submitted,
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